E/CONF.39/H/53
19 Oct.1962
ORIGINAL : ENGLISH

UNITED NATIONS CONFERENCE
ON THE APPLICATION OF SCIENCE AND TECHNOLOGY
FOR THE BENEFIT OF THE LESS DEVELOPED AREAS

Agenda Item: H.2

United Arab Republic

ORGANIZATION ARRANGEMENTS FOR NATIONAL PLANNING IN THE UAR

By I.H.Abdel RAHMAN, Ph.D.,
Director,
Institute of National Planning

Papers have been contributed to the United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Areas as working papers for that Conference. They are published as presented by the contributors, and the contents and the views expressed are those of the contributors. (See notes overleaf.)

NOTES

1. Papers selected for inclusion in General Sessions will be available at the Conference in the following official languages of the United Nations: English, French, Russian and Spanish.

2. Papers selected for inclusion in Specialized Sessions will be available at the Conference in only one of the above official languages.

3. Summaries of all papers, as submitted by contributors, will be available at the Conference in the following official languages of the United Nations: English, French, Russian and Spanish.

4. Papers and summaries will not be available for general distribution in advance of the Conference. They will be published in advance in limited quantities only for the use of delegations of participating governments and of other authorized participants. Post-Conference publication and general distribution of the Conference Proceedings will follow United Nations practices as laid down by the United Nations Publications Board.

ORGANIZATIONAL ARRANGEMENTS FOR NATIONAL PLANNING IN THE UAR

by
I.H. Abdel Rahman, Ph.D.
Director, Institute of National Planning

I. Decisions and decision - makers

1. The adoption of planning as systematic approach to the development of economic and social conditions, introduces a new set of tasks, thus requiring the elaboration of a suitable organizational system. The tasks can be summarized as follows:

(a) Data collection. This is in certain respects a traditional duty of organized societies, but the type, timing and coverage of data undergo certain changes as a result of the requirements of the planning process. The diffusion of these data requires a more elaborate statistical machinery both in the center and in the individual agencies.

(b) Project-making. With the development of a national planning scheme, a certain amount of systematization and centralization of this activity becomes necessary. This involves a new set of data and a new set of techniques to be applied. Many of these activities have to start at the individual institutions and take a specific shape fitting with the requirements of the central plan. This requires the construction of new organisms at all levels of institutional constructions in the country.

(c) Drafting plans. Although the elaboration of national plans takes place finally at the center, many decisions have to be taken at sub-national levels, whether in a ministry or a region. The decision-taking units have to deal with problems of programming based on the detailed studies of their own project makers.

(d) The final approval of theplan is mainly a political issue which largely depends on the political structure of the country. In a socialist community the final say lies with the masses, and out first national plan was only passed after being discussed in a general conference of the National Union which represented the whole country.

(e) Implementation and execution. Once the plan frame has been approved, problems of implementation and execution come to the fore. Here the familir policy-making organisms have to design policy and to take the necessary measures in the light of the targets determined by the plan. On the other hand actual

execution of investment projects as decided upon in the plan has to be left to the executing bodies and not to be mixed up with problems of planning proper. This means that already existing units of policy-making and execution have to be adapted to the general planning activities, and in many cases this might require some radical reforms. The main point here is that the public sector is apt to shoulder a great part of new development activities and to venture in hitherto non-traditional channels.

(f) Follow-up. The planning process is left in a vacuum if it is not capable of tracing the actual execution and effects of the plan. This means that an elaborate and prompt system of follow-up should be constructed in such a manner as to enable planners to channel and process the necessary information on execution, readjust the plan in the light of actual experience, and deal with difficulties as they appear.

2. These six tasks in planning require the readjustment of existing organizational structure so as to facilitate the planning process. The type of readjustment depends largely on (and is partially affecting) the contents of the general plan. In another paper represented to this Conference (H.I.) we have pointed out that the UAR plan is essentially an investment plan. This means that most of the activities of the above mentioned organisms are directly concerned with investment decisions. However, production activities are always involved, since the final targets are generally production targets. But the main point is that these production activities are not determined in a detailed manner, covering each individual firm or institution, and as such they are left to the discretion of supervising bodies which can use direct and indirect measures to fulfill the accepted sectorial targets.

3. One reflection of this approach to planning, is that a great deal of decisions have to be taken in the shape of economic policies and through various types of controls. A certain organizational scheme has to be deviced in order to coordinate various policies towards this end, especially public policies, banking and monetary policies, as well as the various physical controls, lying within the powers of the various ministries and institutions. Again these tasks are to some extent traditional, but the introduction of planning requires their extension and synchronization.

4. It is only natural that in discussing organizational arrangements, the problem of centralization and decentralization receives a good deal of attention. It is one of the arguments against national planning that it quickly develops the centre at the expence of the regions. In fact this seems to be the contraty with our own experience. The issue of centralized activity did not seem acute when the activities of the governing authorities were limited to traditional policy-making channels. With the adoption of an overall plan and its allocation to the various regions of the country, a certain amount of autonomy had to be allowed to the sub-centres. It is quite indicative that after the launching of the national plan, a new system of local administration was installed, allowing a wider scope of autonomy and directly held responsible for planning and execution of development projects and programs.

II. The General Institutional Structure

5. Thus the organization of the administrative machinery has undergone fundamental changes allowing a larger amount of decentralization. But this is not the end of the story. The adoption of rather ambitious plan, which goes far beyond the capacity of a rather stagnant private sector implies by necessity an extension of the responsibilities of the public sector. This means that this sector has to get involved in production activities on a large scale and abruptly.

6. This new development requires a simultaneous re-organization of the business sector, whether publicly owned or privately-owned or both. Organization has its main aspects: ownership and management. Of course these two aspects are partly inter-connected, but they are not necessarily identical, nor should they be considered as uniquely related. With ownership, problems of long-run nature and the distribution of wealth and incomes are at stake. In particular, problems of investment, both in size and direction are affected by the type of ownership. On the other hand, the issue of management has its bearing on the day-to-day activities, relating to production, pricing and marketing. Each of these two aspects acts as a certain boundary on the other, and there are limits to the extent that one can act independently of the other. It is worth mentioning here that economic theory distinguishes the two aspects, and as a result there are rather loose relations between theories of production and distribution.

7. A socialist society cannot ignore the problem of ownership, nor its implications, with respect to distribution of the returns of production activities. First of all a law of agrarian reform was established, putting an upper bound to the ownership by a single person and his family. This was a necessary step in order to reduce the highly unequal distribution of wealth existing in the society and characterizing its feudal structure. At the same time this meant a liberalization of certain resources and putting an end to the unwarranted land acquisition desires, thus encouraging the private sector to divert its investments towards new channels of investments.

8. Another problem which raised great difficulties in the face of real development was the concentration of ownership, of productive resources in foreign hands. This would mean that the planner would be uncapable to put into effect any steps required for the execution of the plan. The problem was serious since many infrastructural activities were involved: water, gas, electricity, financial and banking institutions, commercial houses and the like. It was therefore necessary to shift the ownerships of these crucial institutions to nationals in order to orient their economic and social activities towards the interests of the people. Then comes the problem of nationalization of existing firms and the direct construction of new public enterprises. The main issues at stake here are:

(a) Certain projects of general service nature have to be completely under the control of the government as guardian of the peoples' interests and welfare.

(b) Others are either too big or considered too risky to be undertaken by individuals

(c) Still another set is capital intensive and characterized by a high profit-wage ratio and are apt to bring about certain undesirable distributional effects. This type is liable to lead to a profit inflationary tendencies; thus having adverse effects on the process of development itself.

9. The solution of the problem has to be taken in the light of the management problem. Three main approaches were adopted:

(a) The first is complete nationalization.

(b) The second is the participation of the public sector by more than 50% of the capital.

(c) The third is to put the firms under public supervision for a limited period according to circumstances.

10. These arrangements were lately coupled by others putting an upper limit to the ownership of individuals of shares and stocks in various enterprises. These measures were deemed necessary in order to bring about a more equalitarian distribution, and to offset harmful monopolistic tendencies

11. The outcome was the affiliation of a large number of enterprises to the public sector. It was found necessary to construct a mechanism whereby such enterprises could be controlled in a co-ordinated manner. This was achieved through the construction of holding public foundations each responsible for the enterprises belonging to a certain sector. Thus a business-minded management could be constructed within the frame work of public ownership and control, and is given the necessary powers to avoid any unnecessary routines existing in the administration itself.

12. However, this leaves a good deal of business in private hands Part of the business falls under laws organizing their activities, particularly corporate-laws. Again problems of distribution were dealt with through legislation; to the effect that 25% of the profits should be distributed to employees,either in cash or in the form of services.

13. With these radical changes in the structure of the community and the economy new organizational schemes were introduced in the political and household sphers.The resulting shifts in the centre of power, and the rapid growth of the appreciation of the needs and the rights of the masses have led to continuous changes in the organization of political life. A truly democratic system within the framework of a socialist society cannot exist unless ex-party system was abolished.For some time a National Union was conceived as a means of pooling all popular forces and representing the interests of the masses. The first national plan was discussed by a national conference of this Union before being finally approved.At the moment another grouping is conceived, securing the balanced representation of the various economic and social groups,and ensuring at least 50% of the seats for the peasants and the labourers.

14. These political organizations,together with the new local administrative system,would eventually lead to the emergence of the plan from the people themselves.Every village and town has now its own political and administrative construction which

should be capable of suggesting projects, drafting their own programs, and supervising the execution of the plans. These units would normally pool into larger units at the capitals of the governorates, thus leading to well-integrated regional plans.

15. Another organizational aspect is that concerning the construction of cooperatives, whether for producers or consumers. The State is very keen to push the co-operative movement as much as possible since it is considered as a strong means of constructing a healthy and integrated society

III. The Statistical Machinery.

16. The Central Statistical Departrent is one of the oldest institutions in the country, with well-established activities in the field of data collection. It works through its regional branches and through contacts with other administrative statistical units. It is equiped with up-to-date mechanical aids, and could through time furnish the authorities with the regular flow of data.

17. On the other hand each ministry (e.g. agriculture, education, transport, etc...) has its own statistical unit, occupied with the compilation and processing of data necessary for regular administrative purposes. Most of these statistical data proved to be of great value in actual planning but the adoption of the planning approach required some changes both in the structure and functioning these statistical divisions.

18. One step was taken in the direction of reorganizing statistical services, when planning became a notion under discussion. This was the construction of the Central Statistical Committee which was held responsible for supervising, organizing and coordinating all major statistical activities. The Committee and its sub-committees served as a pool for statisticians, who are in fact one of the relatively rare qualities, becoming the more so when sudden activation of economic development is on the way. The problems of coordination is of paramount importance since many new institutions and ministries are liable to catch the statistical fever and a great waste of the resources occurs owing to overlaping of statistical activities of the various parties concerned.

19. On the other hand some major surveys have to be carried out largely on a sample basis and in various areas. The existence of the Central Committee was a great aid in the realization of many of these purposes. Its activities took lately the shape of a five-years statistical plan which is being executed in a successful and systematic manner.

IV. The Extended Services of Statistical Machinery in a Developing Economy:

20. In order to define the dimensions of organizational changes affecting the statistical machinery, a few words might be said here concerning the new tasks to be shouldered by this machinery during the process of development. Of course we are mainly interested at this stage with statistics in the plural, but we would like to differentiate between statistics in the large and statistics (or rather numerical data) in the small. The ordinary process of data compilation is generally directed towards the

description of statistical universes, giving concrete information as regards the distribution of certain characteristics. But in the process of planning, and follow-up, especially the latter, there are many cases in which the main concern is with the information related to specific individual units, and not to the characteristics in the large numbers. Thus in planning we need data both on the aggregate of investment expenditure, its allocation, etc.., and at the same time we require data on individual investment projects. The same applies to other fields, e.g. production. Besides there is a change in the contents of data, with more emphasis on technical data. These considerations have their reflections on the structure of the statistical machinery. On the one hand they would normally require statistical surveys of the analytical rather than the descriptive type; and thus generally fall outside the traditional scope of the general statistical agencies. On the other, they imply the direct participation of all individual units in the compilation of the specific data, thus leading to an urgent need for the construction of their own statistical and planning units. This is especially true with respect to big firms and to the public institutions supervising activity in the various productive channels.

21. For regular statistics in the large, the U.A.R. had a good record. Periodic Census Surveys are taken for population, agriculture, and industry since some time. Other sample surveys were taken in the fields of wages and hours of work, and in many similar areas. Trade, prices, money and credit population movements, are all areas covered by regular statistics. The sampling techniques have been lately used in a wide variety of problems: Wages, manpower and unemployment, family budgets surveys, in response to the needs of the planning authorities. In fact both the statistical and Planning Committees are headed by the same minister (the Vice-President for planning). This was found organizationally advisable in order to synchronize their activities.

22. Besides the problem of division of labour, there is also that of speed and promptness in the process of compilation. There is also the need for the preparation of quick indicators of economic activity in the various fields. The adoption of sampling techniques, the use of high speed mechanical devices, and the division of labour between the various statistical services, are all effective steps towards the realization of these ends.

V. The Planning Machinery:

23. Planning, whether central or otherwise can always take various shapes in its organization depending on the economic and political structures, and on the specific planning technique adopted. At the early stages of experimentation in development planning two councils, one for production and another for social services, were given the power to study, formulate and execute development projects in their respective fields. Soon it became clear that some division of labour is both necessary and advisable, and that better coordinated development programs can be obtained within the framework of a national plan. This led to the construction of the Central Planning Committee whose activities are confined to the formulation of the national plan, and its follow-up. Problems of implementation and execution were

left to the various ministries and institutions.

24. This meant that these latter agencies had to have their own planning organisms, concentrating mainly on the technological aspects and details, suggesting projects and programs, and receiving information on execution to be forwarded to the Planning Committee. The Committee has to make its techno-economic studies on a national scale and coordinate the sectorial or partial programs so as to fit in with the general frame of the national plan. Actual expenditure or finance was left to the treasury, but not the drafting of the plan since it was clear that the traditional ways and means of this latter, in financing ordinary public expenditure are not generally based on the same principles required for overall national planning. At a certain time this helped to liberalise the new organism from limited or partial outlooks to the problem of finance. At a later stage; and after some experience in actual execution, the treasury was also added to the portfolio of the Vice-president for planning. In other words it was the minister of planning who assumed the responsibilities for the treasury and not vice versa.

25. The Committee together with the planning units in the ministries and regions thus form the technical body working out the plans and supervising its execution. But there is always the political side in the process, and as mentioned before, the National Union or other similar national organizations discuss the product of the work of the technicians, expressing the people's wishes and desires. Preliminary directions as well as the final adoption of the plan are in the hands of the President himself, assisted by a ministrial Committee for planning.

26. At a certain stage, the national plan should be worked out at the centre. But some collaboration of the regions, and a certain degree of autonomy outside the centre are deemed necessary. It is not a coincidence that after getting indulged in actual development planning, the U.A.R. adopted a new system of regional administration, held responsible for the developments of the resources and the conditions of the various regions. The main activities of these administrations are, as it is expected, in the fields of social and infrastructural services.

VI. The Extended Administrative Tasks of a Planned Economy:

27. The development of the local administration system is not the only direction of change. One of the main results of the sudden acceleration of development, is a radical change in the responsibilities of the public sector, and its participation in actual development activity. Not only has the public administration to be adopted to the new tasks, but it has also to be reshuffled to fit the new society under construction. In other words the change has to surpass the tasks and performance of the administration to its general targets and inclinations. It has to serve the interests of the whole nation, and not only the interests of the ex-powerful classes representing the feudal landlords.

28. The outcome of this was the need for reorganizing the whole administrative machinery, and for a new system of job specifica-

tion and of performance. At the moment extensive and intensive studies are carried out in the U.A.R.in order to select the most efficient and flexible administrative structure. Many questions are treated, such as the reduction of routine complication the amelioration of the system of recruitment, the creation of a system of incentives,and so on.

29. Besides these activities,another one is going on in the field of orientation and training of personnel.The extension and variability of administrative tasks have led to the necessity of adopting the existing personnel to development requirements.In any case the fields of training are of a nature quite different from educational subjects covered by regular university courses.

30. Training centres are constructed in various technological fields with the purpose of raising productivity while training courses and institutions are established in order to increase the efficiency of administrative and executive cadres.

31. The increasing share of the public sector in productive activities faces this sector with one of the difficulties usually featuring newly developing countries,viz,the lack of a capable managerial and entrepereneurial class.

32. The traditional agricultural economy is not, in general, favourable for the emergence of such a class. As mentioned before, as the number of projects and forms in the various fields grow,and as many of these units are under public control,a new organization becomes indispensable.This has finally taken the shape of the construction of a number of public foundations each of which held responsible for the management of productive units in one sector or sub-sector.These organizations are given in the appendix.However,one obstacle still remains,and that is the existence of a prepondrant unorganized production sector. Thus agriculture,most of private services and small business, fall within this category and planners have to account for their existence both in building up their targets and balances,and in deciding upon the bahaviour of these sectors.In many cases,these units are of rather low productivity levels and they are generally considered as a closed circle upon which a superstructure of modern business is imposed.However,the weight assumed by the agricultural sector,unorganized by its nature,requires some special effort.It is mainly for this purpose that co-operatives whether for production,marketing or finance are considered imperative.

409 E - Nov.1962 - 1,600

E/CONF.39/H/53
SUMMARY
19 Oct.1962
ORIGINAL : ENGLISH

UNITED NATIONS CONFERENCE
ON THE APPLICATION OF SCIENCE AND TECHNOLOGY
FOR THE BENEFIT OF THE LESS DEVELOPED AREAS

SUMMARY

Agenda Item: H.2

United Arab Republic

ORGANIZATION ARRANGEMENTS FOR NATIONAL PLANNING IN THE U.A.R.

By I.H. Abdel RAHMAN, Ph.D.,
Director,
Institute of National Planning

Papers have been contributed to the United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Areas as working papers for that Conference. They are published as presented by the contributors, and the contents and the views expressed are those of the contributors. (See notes overleaf.)

NOTES

1. Papers selected for inclusion in General Sessions will be available at the Conference in the following official languages of the United Nations: English, French, Russian and Spanish.

2. Papers selected for inclusion in Specialized Sessions will be available at the Conference in only one of the above official languages.

3. Summaries of all papers, as submitted by contributors, will be available at the Conference in the following official languages of the United Nations: English, French, Russian and Spanish.

4. Papers and summaries will not be available for general distribution in advance of the Conference. They will be published in advance in limited quantities only for the use of delegations of participating governments and of other authorized participants. Post-Conference publication and general distribution of the Conference Proceedings will follow United Nations practices as laid down by the United Nations Publications Board.

No. 533
H.2.

ORGANIZATIONAL ARRANGEMENTS FOR NATIONAL PLANNING IN THE UAR

by

I.H. Abdel Rahman, Ph.D.
Director, Institute of National Planning

SUMMARY

The main tasks that can be recognized in national planning are:

1. Data collection on a much wider scale.
2. Project-making, including formulation and appraisal within a national framework.
3. Drafting plans.
4. Final approval of the plan by political bodies.
5. Implementation and execution.
6. Follow-up of the plan progress.

The details of each of these tasks, and consequently the type of organization required, depend upon the actual technique used in planning.

The traditional process of data collection in UAR was carried out by the Central Statistical Department, and by the statistical units in the various ministries. Recently a Central Statistical committee was constructed to realize coordination between these units and to make use of the limited number of statisticians in planning statistical surveys required for planning. However, besides the statistics relating to aggregates and universes, planning and follow-up require other types of numerical data relating to specific projects and economic units.

For the former type of information the existing machinery had only to adapt its activities and their timing to the requirements of planning. Specific data had to be provided by the firms and institutions directly to the Planning Committee. This implied that they should construct their own planning and statistical organisms.

The national plan is drafted by the National Planning Committee. At an early stage two Councils were constructed one for development of production and another for development of services. These councils were given the powers to suggest, formulate and execute development projects. It is now believed more advisable to keep a clear-cut division between planning proper and execution.

The planning activity emerge from the ministries and regions in the form of sectorial or regional programs. The Planning Committee, on the basis of preliminary aggreative studies gives directives as regards the orders of magnitude of such programs. After the elaboration of these programs it studies their coordination and constructs the national

balances and budjets ensuring the fulfillement of the targets in a balanced manner. Lately the Vice-president for planning took on the portfolios, of the treasury in order to facilitate the problems of finance and to refine the relationship between the State budget and the national budget.

The fixation of targets and the final approval of the plan are largely political issues. They are in the hands of the president assisted by the ministrial committee for planning. On the other hand, the general public contribute to the discussion of the plan within the framework of the national organizations pooling the mass powers in the country.

Organization deals with both ownership and management. With ownership, a first step was the law of agrarian reform determining an upper bound to individual land ownership, and putting an end to the feudal system. A second step was the curtailment of foreign domination over important economic activities, especially thebanking infrastructural activities. A third step was the actual nationalization of certain corporation, dealing with general services or with risky but necessary types of production, or again threatening to experience undue monopolistic powers.

Solutions here are based mainly on the requirements of management. They are:

1. Complete nationalization.
2. State participation.
3. State supervision and control.

Other measures were also taken to the effect of putting a ceiling to individual ownership of stocks and shares of various corporations.

Private business is again growing and organized by the corporate laws. Co-operatives are constructed as means of organizing the activities of the unorganized and household sectors. On the other hand democratic organizations are made to the effect of giving the masses more powers to discuss, criticize and supervise the execution of the plan.

With the increasing share of the public sector in developmental activities, greater need is felt for re-organization of the administrative system, and redefinition of job specification and performance. Intensive studies in these fields are expected to end shortly with a system more conformènt to quick development. On the other problems of training, vocational training has received increased attention. Further, special Institutes for planning, statistics, administration and management are assuming the jobs of research and training in these fields.

In spite of the fact that overall planning usually implies more activity at the center, it has provoked even more activity in the regions. The result was the establishment, after the start of the plan, of a new local administration enjoying a high degree of autonomy, especially in the execution of local services projects. It is expected that those bodies will be sooner or later capable of drafting their own regional plans, thus helping the planning authorities in taking the regional needs into consideration in a more concrete form.

S - 409 E - Nov.1962 - 1,600

E/CONF.39/H/54
31 Oct.1962
ORIGINAL : ESPAÑOL

CONFERENCIA DE LAS NACIONES UNIDAS
SOBRE LA APLICACION DE LA CIENCIA Y LA TECNOLOGIA
EN BENEFICIO DE LAS REGIONES MENOS DESARROLLADAS

Punto del programa : H.1 España

EL PLAN DE BADAJOZ

Por Enrique MARTIN MARTIN,
Jefe de la Secretaría del Plan, (I.N.I.)

Las monografías presentadas en la Conferencia de las Naciones Unidas sobre la Aplicación de la Ciencia y la Tecnología en Beneficio de las Regiones Menos Desarrolladas constituyen documentos de trabajo de dicha Conferencia. Se publican tal como han sido presentadadas por los colaboradores y los puntos de vista expresados en ellas corresponden a los colaboradores. (Véanse notas al dorso.)

NOTAS

1. Las monografías seleccionadas para las Sesiones Generales serán distribuidas en la Conferencia en los siguientes idiomas oficiales de las Naciones Unidas: español, francés, inglés y ruso.

2. Las monografías seleccionadas para las Sesiones Especiales serán distribuidas en la Conferencia únicamente en uno de los idiomas oficiales antes indicados.

3. Los resúmenes de las monografías presentadas por los colaboradores serán distribuidos en la Conferencia en los siguientes idiomas oficiales de las Naciones Unidas: español, francés, inglés y ruso.

4. No se procederá a la distribución general de las monografías y resúmenes con antelación a la Conferencia. Unicamente serán publicadas en cantidades limitadas con antelación a la Conferencia para uso exclusivo de las delegaciones de los gobiernos participantes y de otros participantes autorizados. La publicación con posterioridad a la Conferencia y la distribución general de las actas y debates de la Conferencia seguirán las prácticas de las Naciones Unidas establecidds por ia Junta de Publicaciones de las Naciones Unidas.

La planificación regional

E L P L A N D E B A D A J O Z

Por Enrique Martín Martín. Jefe de la Secretaría del Plan. (I.N.I)

---

1) ANTECEDENTES Y RAZON DE SER DEL PLAN BADAJOZ

a) Del medio provincial

i) Economía fundamentalmente agraria, area cultivable no superior al 50% de la total provincial y el resto de arbolado y pastos, predominio de la gran propiedad y rendimientos unitarios bajos, en gran proporción, por la naturaleza del suelo y clima extremadamente caluroso y seco durante parte del año.

ii) Población excesiva para la estructura económica, paro estacional y subempleo, renta per cápita inferior a la media nacional, desigualdad en su distribución, falta del pequeño ahorro y reducida capitalización, aplicada en parte fuera de la provincia.

iii) Frente a los indicados factores deprimentes, posibilidad de aprovechar para el cultivo en regadío de sus Vegas, las aguas del río Guadiana que, con acusada irregularidad, discurrían por la provincia de E. a O. en pura pérdida. Tal cultivo, sobre tierras de adecuadas condiciones agrológicas y con amplia insolación, habría de permitir en una primera etapa multiplicar por 10 y diversificar la producción obtenida en secano y en el futuro, más amplias perspectivas de desarrollo.

b) Del Plan

i) Las previsiones de regulación del río Guadiana recogidas por primera vez en el Plan Nacional de Obras Hidráulicas de 1902 y mantenidas y mejoradas en los que sucesivamente fueron formulándose, respondiendo a una política de riegos para la revalorización económica de la agricultura.

Tal política caracterizada por la creciente participación del Estado en la ejecución de las obras fundamentales, hasta asumirla en su totalidad, llevó consigo en lo orgánico y para su realización, a la creación en 1926 de las tituladas Confederaciones Hidrográficas en las distintas cuencas de los grandes ríos españoles, en el marco del Ministerio de Obras Públicas.

ii) La política de Colonización que completa el contenido económico de la de riego con un acentuado sentido social y que, definida en la ley de Grandes Zonas de 26 de Diciembre de 1939, se concreta decisivamente en la de Colonización y Distribución de Grandes Zonas Regables de 1949 y dá lugar, en lo orgánico, a la creación en 1939 del Instituto Nacional de Colonización (I.N.C.), en el marco del Ministerio de Agricultura.

iii) El Plan General de Ordenación Económico Social de la provincia de Badajoz que, formulado en el ámbito provincial, respondiendo a directrices del Gobierno, suponía un estudio exhaustivo de sus ne

cesidades y posibilidades.

iv) El propio Plan que, basado en el anterior y formulado por una Comisión Técnica Interministerial nombrada al efecto, fué promulgado por Ley de 7 de Abril de 1952 con el título de Plan de Obras, Colonización, Industrialización y Electrificación, expresivo de su contenido.

2- LA CONCEPCION Y PROPOSITO DEL PLAN

Responde al principio de economía de fuerzas, por dedicación de la mayor parte de los medios destinados al mismo a una sola acción principal, aplicada en una región natural, las Vegas del Guadiana, para su potenciación económica y reestructuración social de la población que en la misma habría de ser instalada, al amparo de la nueva riqueza creada en ella.

Tal acción principal es acompañada de otras complementarias que, extendiendo su ámbito de aplicación al resto de la provincia, tienen por finalidad facilitar su efecto expansivo.

Contribuyen a este resultado aquellas otras medidas que de carácter local o nacional, pero ya fuera del Plan, atienden a los problemas que no son exclusivos de la provincia, tales como desaparición del latifundio poco productivo, racionalización de cultivos, crédito agrícola, sanidad, vivienda, formación cultural y profesional ...

En síntesis, es propósito del Plan actuar como motor de arranque para el aprovechamiento de aquellas posibilidades cuya explotación aparece como más inmediata y absorber la mano de obra excedente en nuevos puestos de trabajo, creados desde el primer momento por la ejecución de las obras que lo integran y posterior y progresivamente, por la trnsformación agrícola e industrial que lleva consigo.

3- CONTENIDO DEL PLAN DE BADAJOZ

a) La ACCION PRINCIPAL dirigida y financiada por el Estado, que se reintegra directamente del 40% al 70 de su importe en plazos de 5 a 25 años según la naturaleza de las obras, comporta

i) La transformación en regadío de las Vegas del Guadiana en una extensión de 1.300 km/2, lo que lleva consigo

- la regulación del caudal del citado río y conducción y distribución de las aguas embalsadas hasta la unidad mínima de cultivo, (4,5 Has.) previamente abancalada en caso necesario.

- la red de caminos, desagües y encauzamientos para el saneamiento y explotación de las zonas trnsformadas, repoblada forestalmente en las no aptas para el cultivo.

Obras principales que comprende: conjunto regulador de 5 presas con capacidad total de embalse de 3.786 Hm/3 y caudal regulado de 1.500 anuales, 5.438 km. de canales y acequias, 91 de nuevas carreteras, 112 de caminos generales, 3.179 de servicios de la red de riegos y 2.487 de desagües.

ii) la redistribución de la propiedad en las zonas transformadas

- dejando en poder de sus antiguos propietarios aquellas que, en su caso, lo hubieran sido a su cargo con anterioridad a la iniciación de la actuación estatal, y siempre, una reserva de las nuevas transformadas proporcional al número de familiares y no superior a 125 Has.

- expropiando el exceso resultante que es parcelado en lotes familiares de 4 a 5 Has. entregados a nuevos cultivadores los colonos, o de 0,50 Has. como lote complementario, a los obreros agrícolas.

iii) la construcción de nuevos poblados en los que se entrega vi-

vienda adecuada a sus necesidades a los colonos y obreros agrícolas, y en los cuales se montan los servicios precisos para atender a las necesidades religiosas,educativas,sanitarias,cooperativas y sociales de las nuevas comunidades.

iv) el desarrollo integral de estas comunidades en cuanto que a los colonos,además de los bienes que le son entregados (tierra,vivien - das,ganados y aperos) se les tutela técnica,económica y profesional mente y se les inicia en actividades cooperativas,durante un período medio de 5 años,estimado como preciso para asegurar rentabilidad suficiente en sus explotaciones familiares.

v) la industrialización de la zona transformada,encomendada a la iniciativa privada y concebida como complemento necesario de la transformación agrícola, dentro de un concepto unitario de desarrollo con equilibrio de ambos sectores y buscando al propio tiempo con ella un efecto de tiro en un doble aspecto.

- al fomentar y seleccionar la producción agrícola,facilitando su comercialización previamente transformada o a través de la siemple conservación.
- al brindar a la iniciativa privada los incentivos que para inversiones productivas se derivan de la posible industrialización de los productos de los nuevos regadíos (hortícolas,ganaderos y fibras textiles).

El Estado,en este orden de actividades,deja la financiación a la iniciativa privada, a la que estimula y ordena,concediéndola determinados beneficios a través de concursos públicos promovidos para - autorizar las nuevas industrias que han de instalarse con ritmo acorde con el del proceso de transformación agrícola,evitando monopolios y al propio tiempo competencias que podrían ser perjudiciales para su desarrollo inicial,habida cuenta de su carácter naciente en una región carente prácticamente de tradición industrial.

El Plan prevé la posibilidad de suplir y complementar la iniciativa privada a través del Instituto Nacional de Industria (I.N.I.) cuando se trate de industrias trascendentes para el desarrollo agrario y aquella no actue o lo haga de manera insuficiente.

Esta intervención paraestatal lleva en sí la posibilidad de ser compartida por los propios agricultores,a los cuales,de otra parte, se les dá preferencia para la instalación de las industrias agrícolas a través de sus cooperativas,promovidas por el Instituto Nacional de Colonización en las nuevas comunidades y reguladas en su desarrollo por las normas generales,en el marco del campo sindical.

vi) otras actuaciones favorecedoras del desarrollo agrario de la zona transformada son

- continuar consideradas como de secano,a efectos de impuestos territoriales, y durante un plazo de 10 años,las nuevas zonas de regadío.
- la financiación que supone para los antiguos propietarios el importe de las tierras que le fueron expropiadas y la subvención del 40% que tanto a ellos como a los colonos se les hace sobre el reintegrable de las obras de mejoras.

Reactivo de signo contrario pero tendente al mismo fin de aumento de productividad, es la obligación de obtener en el cultivo de las nuevas zonas regables índices mínimos de rendimiento,so pena,en los antiguos propietarios de expropiación de las tierras que restaban en su poder,y en los colonos, de baja como tales.

En síntesis,esta acción principal se aplica en una región natu-

ral de extensión equivalente al 20% de la total provincial y representa una política económica y social autoritaria y al propio tiempo protectora de la iniciativa privada,en cuanto la promueve y defiende en la medida que contribuye al óptimo productivo y la sanciona o sustituye cuando va contra él o no actua.

Como fórmula de reforma agraria representa:transformación+distribución+industrialización+comercialización+ayuda general técnica y financiera.

b) LAS ACCIONES COMPLEMENTARIAS incluídas en el Plan,respondiendo a su concepción, comportan

- la mejora de las comunicaciones que enlazan las nuevas zonas regables con los centros de consumo o de paso para otras regiones en su triple aspecto de carreteras,ferrocarriles y puertos.
- la industrialización de los recursos naturales de la provincia(cereales,lanas,cueros,mineros y forestales).
- la repoblación forestal en una extensión de 50.000 Has. de las cuales el 60% se ubica en las cuencas de los embalses reguladores.
- el aprovechamiento hidroeléctrico de dichos embalses y el tendido de la red de transporte y distribución de energía para adaptarse a la nueva ordenación productiva de la provincia y enlazar con la nacional.

4- LA ORGANIZACION Y MEDIOS DE EJECUCION PARA EL DESARROLLO DEL PLAN

La organización establecida se funda en el contenido del Plan y en la estructura administrativa del Estado,de acuerdo con las siguientes consideraciones

- el contenido del Plan comporta la ejecución de obras materialeso aplicación de medidas económicas y sociales establecidas con anterioridad al mismo
- la administración del Estado cuenta con líneas ejecutivas especializadas en la ejecución de aquellas obras y aplicación de dichas medidas,que,con foco impulsor y decisorio radicado en las Direcciones Generales de los Departamentos Ministeriales se extienden hasta las provincias,donde se situan las Jefaturas y Delegaciones ejecutivas.
- es conveniente evitar duplicaciones de actuación y aprovecharse de las garantías técnicas y normalización administrativa que son inherentes a las citadas líneas de actuación.

Hubo de tomarse asimismo en cuenta la conveniencia de dar entrada en el órgano directivo a la primera autoridad de la provincia, en cuanto que la ejerce por delegación sobre los servicios provinciales ejecutantes,y a la Diputación provincial como organismo que desarrolla en determinados aspectos una actuación complementaria de la del Estado,y por último,tomar en consideración los aspectos laborales del Plan,las funciones propias de la Organización Sindical y la prevista participación del I.N.I. y de la iniciativa privada.

Consecuencia de las anteriores premisas la solución orgánica para la realización del Plan se traduce en la utilización de los cauces normales de la Administración del Estado,reforzados en personal y medios, y articulados para su acción conjunta por los siguientes órganos específicos:

- en el más alto nivel y con funciones que se deducen de su mismo título,una Comisión Permanente de Dirección presidida por uno de sus miembros e integrada por los titulares de las Direcciones Generales afectadas por el Plan,de la de Trabajo,Delegado Nacional de

Sindicatos ,Gobernador y Presidente de la Diputación Provincial y - Gerente del I.N.I.

- con funciones asimismo que se deducen de su propio título,se constituyó en el seno de la citada Comisión un Comité de Coordinación y Gestión integrado por los titulares de las Direcciones Generales de Obras Hidráulicas,Colonización e Industria en razón de su mayor participación y exigencia de más estrecho enlace en su actuación.

- como instrumento de trabajo de los citados órganos directivos se constituyó una Secretaría Gestora dependiente de la Presidencia del Gobierno a través del I.N.I. donde se encuadra orgánicamente.

Funciones principales de esta Secretaría Gestora son la preparación,en unión de los servicios ejecutantes,de los programas anuales de actuación,vigilancia de su desarrollo asegurando la coordinación en detalle de aquellos,información y difusión de los resultados obtenidos y en general preparar y llevar a cabo las decisiones de los órganos directivos.

De particular interés,por el tipo de organización adoptada,es la actuación de la Secretaría en orden al curso administrativo de los expedientes a que dá lugar el desarrollo del Plan, para evitar que los mismos pierdan el impulso inicial al pasar por oficinas del cauce normal, para las cuales el expediente de que se trata es uno de tantos que se somete a su despacho. Tal necesidad es atendida por enlace de la Secretaría con los distintos Departamentos Ministeriales.

En orden a las medidas financieras para el desarrollo del Plan es de señalar el hecho de que por la propia Ley aprobatoria del Plan se determinan los créditos que para cada uno de los años de ejecución del Plan,y por servicios, habían de ser consignados en los presupuestos generales del Estado, al propio tiempo que se preven posibles transferencias y aumentos por elevación de salarios.

5- LA COORDINACION ENTRE LOS DISTINTOS SECTORES EN LOS QUE SE ACTUA

Promovido con anticipación a que la situación económica española exigiese la formulación de un Plan nacional de desarrollo,y en consecuencia sin cuadrícula de tal carácter que lo condicionase,los problemas de coordinación del de Badajoz quedaban reducidos a los que se derivaban de su propio contenido,lo que lleva consigo que -

- la progresiva y paralela construcción de las obras de infraestructura asegurase la terminación simultánea de aquellas que contribuyen a un fin común.

- las nuevas instalaciones industriales entrasen en servicio acorde con el ritmo de puesta en riego de nuevas zonas.

- el cambio de sistema de cultivo,de secano en regadío,siguiese de modo inmediato a la terminación de las obras de infraestructura.

A la obtención de tales resultados contribuye

- el propio Plan,al fijar plazos de construcción de los grupos de obras y de establecimiento de las nuevas industrias.

- los Planes coordinados de obras que,redactados progresivamente - para las distintas zonas parciales en que se divide la total regable,concretan las fechas de presentación de proyectos,plazos de ejecución y puesta en marcha de las obras o servicios que les afectan.

- por último ,los programas anuales que concretan las obras e inversiones de cada año,así como las industrias que han de ser promo

vidas en el mismo,en función de la situación alcanzada al finalizar el anterior.

La vigilancia y enlace de la Secretaría Gestora con los escalones ejecutivos de los distintos servicios,hace posible,que en caso necesario,el Comité de Coordinación y Gestión adopte las medidas - de reajuste que se precisen para salvar posibles incidencias.

En lo que se refiere al último aspecto de la coordinación,cultivo en regadío de las zonas transformadas

-es asegurado,en la distribuída entre los colonos,por los Planes de explotación que anualmente formula el I.N.C. en los que se fija la ordenación productiva y medios precisos, y cuyo desarrollo es - llevado a cabo bajo la dirección técnica y administrativa de aquél.

- en la zona reservada a los antiguos propietarios,queda a la iniciativa de los mismos,habiéndose puesto de manifiesto que el período de inercia al cultivo en regadío es cada vez más reducido siendo cada vez más extensas las zonas en que aquél se inicia en la - primera campaña posible, y no rebasando generalmente el plazo de 2 años.

6- RESULTADOS PREVISTOS Y ALCANZADOS .CAUSAS DEL DESAJUSTE PRODUCIDO

i) Cuando va transcurrido el 66% del plazo fijado para la realización del Plan,ha sido alcanzado el 80% de las obras de regulación, el 45% de la de transformación en regadío y colonización de la superficie inicialmente prevista y aproximadamente el 70 u 80% de - las restantes acciones.

Ello supone un retraso en tiempo de 2 a 3 años,según las acciones, y tiene como causa principal la necesidad de contar con un plazo de puesta a punto de cuantos elementos intervienen en el desarrollo del Plan.

La práctica ha puesto de manifiesto que el frente de trabajo - abierto debe ser 3 veces superior al que supone los resultados que se desean alcanzar en cada año, si se ha de estar cubierto de incidencias previsibles y evitar esfuerzos extraordinarios,difíciles de mantener largo tiempo y que repercuten en el mayor coste y menor garantía de calidad.

Cuando el Plan fué aprobado en 1952,estaban en marcha algunas de las obras que habían de integrarle,pero con ritmo de ejecución inferior en 10 veces al que aquel exigiría. Hubo que reforzar en personal y medios los Servicios,redactar y tramitar gran número de proyectos, seleccionar empresas constructoras e incluso dar tiempo a que se formase el espíritu de equipo necesario entre los técnicos de las diversas especialidades llamados a colaborar.

Fúe a los 3 años de iniciación del Plan,cuando se pudo considerar alcanzada la situación óptima y si bien el mecanismo ya dispuesto,hubiese sido capaz de una aceleración susceptible de recuperar el retraso producido se estimó por el Gobierno aconsejable renunciar a tales posibilidades y mantener el ritmo normal,aplazando la terminación del Plan en los citados 3 años y prorrogándola en otros 2 para llevar a cabo la ampliación autorizada de la zona regable.

Influyó en tal decisión los resultados ya conseguidos,el volumen de los que anualmente hubieran debido de producirse para recuperar el retraso, superior a lo que un adecuado ritmo aconsejaba , la entrada en línea de otros planes análogos al de Badajoz y la limitación de inversiones que implicaba el plan de estabilización -

económica iniciado en 1958,compatible sin embargo con una progresión normal del Plan.

b) El proceso de industrialización se desarrolló acorde con el de - transformación agrícola en las nuevas zonas de regadío,si bien hubo de ser llamado el I.N.I. para complementar la iniciativa privada.

Por el contrario, en aquellas industrias que afectaban a la transformación de los recursos naturales de la provincia, la iniciativa privada no se sintió suficientemente estimulada para actuar y ello a pesar de que los beneficios concedidos eran los mismos que para - las industrias de las zonas de regadío.

Hay que ligar tal hecho con el de que en la mayor parte de las - industrias establecidas en el primer grupo,predominan capitales de otras regiones,donde por otra parte están ubicadas aquellas que llevan a cabo la transformación de los citados recursos naturales de la provincia.

7-8 y 9-EL PLAN DE BADAJOZ COMO ACCION DE OBJETIVO LIMITADO EN EL - MARCO REGIONAL Y AVANZADA DEL DESARROLLO NACIONAL,REPERCUSION DE TAL SITUACION EN LOS ORDENES ORGANICO Y DE PROCEDIMIENTO

Es de objetivo limitado en cuanto el Plan se traduce en una ordenación de inversiones estatales destinadas a modificar el medio agrario en una zona que rebasa escasamente el 10% de la superficie total provincial y en crear espectativas de rentabilidad capaces de atraer el capital privado para completar tal modificación,con un proceso de industrialización.

Ni abarca toda la provincia ni supone intervención en todos los aspectos que gravitan sobre su desarrollo económico y social, dejando aquellos que no son privativos de la misma a la regulación por medidas de ámbito nacional, en ocasiones aplicadas con especial intensidad sobre ella.

Desde otro punto de vista el Plan de Badajoz puede considerarse, con su anticipo en el tiempo al Nacional de desarrollo, como una - avanzada de éste y ello no solo porque al acelerar el progreso de la provincia acorta su distancia con otras más adelantadas económicamente sino también porque por su propio contenido alcanza resultados que inciden sobre objetivos del desarrollo nacional.

Es precisamente el grueso de tal avanzada lo que representa para el Plan de Badajoz el Nacional de desarrollo que, con su puesta en marcha, ha de completar los efectos logrados con el primero,y de - modo particular en lo que se refiere a una mayor participación de la iniciativa privada en beneficio de la problemática provincial.

Esta interdependencia entre desarrollo regional y nacional,se ha traducido en que cuando llegado el momento fueron promoviéndose nuevos planes de naturaleza análoga al de Badajoz y para su articulación hubieron de actuar órganos de planificación de ámbito nacional, creados con posterioridad al Plan de Badajoz, éste, aun conservando su propia personalidad, ha sido sometico a la intervención de los - citados órganos, encajándolo así en el marco que inicialmente le - faltaba.

1110 S - Nov.1962 - 600

E/CONF.39/H/54/Corr.1
7 Jan.1963
ORIGINAL : ESPAÑOL

CONFERENCIA DE LAS NACIONES UNIDAS
SOBRE LA APLICACION DE LA CIENCIA Y LA TECNOLOGIA
EN BENEFICIO DE LAS REGIONES MENOS DESARROLLADAS

C O R R E C C I O N

El tema del programa debe leerse :

H.1(Part II)

en lugar de : H.1

1110 S - Jan.1963 - 600

UNITED NATIONS CONFERENCE
ON THE APPLICATION OF SCIENCE AND TECHNOLOGY
FOR THE BENEFIT OF THE LESS DEVELOPED AREAS

E/CONF.39/H/54
SUMMARY
16 Nov.1962
ENGLISH
ORIGINAL : SPANISH

SUMMARY

Agenda Item: H.1.

Spain

THE BADAJOZ PLAN

By Enrique MARTIN MARTIN,
Head of the Plan Secretariat
(National Industrial Institute)
(I.N.I.)

Papers have been contributed to the United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Areas as working papers for that Conference. They are published as presented by the contributors, and the contents and the views expressed are those of the contributors. (See notes overleaf.)

NOTES

1. Papers selected for inclusion in General Sessions will be available at the Conference in the following official languages of the United Nations: English, French, Russian and Spanish.

2. Papers selected for inclusion in Specialized Sessions will be available at the Conference in only one of the above official languages.

3. Summaries of all papers, as submitted by contributors, will be available at the Conference in the following official languages of the United Nations: English, French, Russian and Spanish.

4. Papers and summaries will not be available for general distribution in advance of the Conference. They will be published in advance in limited quantities only for the use of delegations of participating governments and of other authorized participants. Post-Conference publication and general distribution of the Conference Proceedings will follow United Nations practices as laid down by the United Nations Publications Board.

THE BADAJOZ PLAN

By

ENRIQUE MARTIN MARTIN, HEAD OF THE PLAN SECRETARIAT (I.N.I.)

The lack of balance between the population and the economic structure of the province of Badajoz, which is mainly agricultural, and the fact that the province had a number of hitherto unrealised potentialities were the causes which motivated the launching of the plan in 1952 aimed at raising the provincial income and improving its distribution.

This plan provides for State investment designed to re-organize agriculture in a restricted natural region of the province, the low lying land bordering the river Guadiana. The transformation of this region into irrigated land will increase its production tenfold.

The transformation, which is based on regulating and utilising the waters of the river in question, is accompanied by a process of industrialising both the products of the new irrigable areas as well as the natural resources of the province. This process is entrusted to private enterprise guided and stimulated by the granting of certain concessions for the installation of new industries. Should private enterprise be lacking or inadequate, the plan provides for action by the Instituto Nacional de Industria (I.N.I.) (National Industrial Institute).

These activities are backed up by others aimed at modifying the provincial infrastructure (communications, electricity, re-afforestation) which, as it becomes adapted to the new situation, facilitates the expansion of the centre of wealth created on the lowlands of the river Guadiana.

In addition to the foregoing economic activities, another, primarily social, activity is planned, namely the redistribution of agricultural holdings in the areas converted to irrigation. Part of the latter, constituting 40% of the total land, will be expropriated with fair compensation and allotted to new farmers who, in addition to a 4 - 5 hectare family holding in the case of settlers or a 0.5 hectare extra plot in the case of agricultural workers, will be provided with housing accommodation suitable for their needs and located in new settlements built for the purpose.

The new communities thus formed are the object of a campaign which may be termed 'integral development' in that during the first 5 years of their new life, the members receive instruction in technical, economic and professional matters and at the same time a grounding in social and cooperative activities.

The Badajoz Plan was drawn up by an Interministerial Technical Committee appointed for the purpose and based on another economico-social plan for the province compiled locally as well as the provisions regarding the utilisation of the river Guadiana for irrigation as set out in national development plans prior to the Badajoz plan.

The Badajoz Plan is being implemented via the usual official channels combined specifically for this joint, coordinated campaign into a Permanent Management Committee made up of the heads of the General Administrative Sections of the Ministerial Departments involved in implementing the plan, the leading provincial authorities and representatives of the Ministry of Labour, the Trades Union Movement (Organizacion Sindical) and the National Industrial Institute (I.N.I.). This committee delegates some of its powers to a restricted committee whilst the task of gathering information, submitting reports and executing decisions of the administering bodies referred to has been entrusted to an Administrative Secretariat which is responsible to the Prime Minister's Office through the National Industrial Institute, of which it forms part.

The internal coordination of the activities covered by the plan is ensured by the plan itself which provides for phasing of the various types of activities, these being specified and detailed later via the partial Coordinated Works Plans and, finally, adjusted each year by the drawing up of annual operations or investment programmes.

The results obtained indicate that the plan is 2 or 3 years behind schedule, in regard to some activities, the main cause being the need - not adequately allowed for when the plan was formulated - to provide for a preparatory period for the perfecting of the various means involved in a task as complex as the Badajoz Plan. That period was about 3 years, and at the end of it the implementing machinery was capable not only of ensuring that the work proceeded at a normal rate, but also, if so it were decided, of making up the initial lag.

Both in conception and in its provisions the Badajoz Plan may be regarded as of limited scope within the context of the integral development of the province to which it contributes with its activities supplementing those undertaken by the local authorities and those of a national character catering for problems that are not confined to the province.

Of earlier date than the National Development Plan, the Badajoz Plan may be considered a forerunner of the former not only because it helps to close the gap which initially separated the province from other, economically more advanced provinces - the intrinsic objective of the national development plan - but also because it contributes to the results which the latter sets out to achieve.

The launching of the national development plan is intended to finish off the tasks specifically assigned to the Badajoz Pl ..

3 - 1110 E - Nov.1962 - 1,600

E/CONF.39/H/55
1 Nov.1962
ORIGINAL : ENGLISH

UNITED NATIONS CONFERENCE
ON THE APPLICATION OF SCIENCE AND TECHNOLOGY
FOR THE BENEFIT OF THE LESS DEVELOPED AREAS

Agenda Item : H.1

United States of America

COMPLEMENTARITY BETWEEN AGRICULTURAL AND INDUSTRIAL DEVELOPMENT

By Rufus B. HUGHES,
Colorado State University,
Fort Collins,
Colorado,

and Erven J. LONG,
Agency for International Development,
Washington, D.C.

Papers have been contributed to the United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Areas as working papers for that Conference. They are published as presented by the contributors, and the contents and the views expressed are those of the contributors. (See notes overleaf.)

NOTES

1. Papers selected for inclusion in General Sessions will be available at the Conference in the following official languages of the United Nations: English, French, Russian and Spanish.

2. Papers selected for inclusion in Specialized Sessions will be available at the Conference in only one of the above official languages.

3. Summaries of all papers, as submitted by contributors, will be available at the Conference in the following official languages of the United Nations: English, French, Russian and Spanish.

4. Papers and summaries will not be available for general distribution in advance of the Conference. They will be published in advance in limited quantities only for the use of delegations of participating governments and of other authorized participants. Post-Conference publication and general distribution of the Conference Proceedings will follow United Nations practices as laid down by the United Nations Publications Board.

COMPLEMENTARITY BETWEEN AGRICULTURAL AND INDUSTRIAL DEVELOPMENT

Rufus B. Hughes, Colorado State University
Fort Collins, Colorado
Erven J. Long, Agency for International Development
Washington, D. C.

Introduction

1. That sustained economic progress, in most low-income countries, entails a progressive reallocation of labor and capital from primary to industrial sectors, is the consensus of nearly all economists. However, this does not necessarily lead to the conclusion that agricultural development can or should be neglected in order to make more capital immediately available for industrial expansion. In most low-income countries, failure to develop production potentials in domestic agriculture impedes long-term economic development, including industrial development. Considering current population growth rates and the prospect that they may increase, the difficulty of supplying sufficient food and fiber appears as one of the greatest barriers to rising per capita incomes.

2. However, advances in science and technology have and no doubt will continue to increase the possibilities of expanding food supplies, and general economic and social development gives promise, in the long run, of restraining population growth. Various countries have already escaped from the "low-level equilibrium trap" visualized by Malthus and other classical economists. And most informed people are agreed that affluence can eventually be created for all societies if proper measures are taken. But there is not general agreement regarding the socio-economic institutions, policies and programs best suited for producing economic progress in the low-income countries (6)*. This is especially true of recommendations regarding the role of agricultural development.

Industrial Fundamentalism and Planning for Development

3. A few decades ago, it was popular to refer to the essential primacy of human needs for food and clothing as a rationale for identifying agriculture as the "fundamental" industry. This idea, carried to the extreme, implied that the one essential of economic progress and prosperity was a prosperous agriculture. More adequate analysis revealed the deficiencies of this "agricultural fundamentalism" doctrine. In more recent years, the pendulum of economic doctrine appears to have swung to the other, equally indefensible, extreme of "industrial fundamentalism" -- the idea that industrialization is the prime essential of general economic development.

4. The attractiveness of the notion that heavy industrialization is the key to affluence may be attributed to two major factors: the industrial development

*Numbers in parentheses refer to appended references.

accomplishments of the U.S.S.R., where most emphasis has been on the expansion of heavy industry; and the historical correlation between industrialization and economic development in the presently more advanced economies (12).

5. This analysis by analogy is dangerous, as the situations are not analogous and the direction of causation is confused. From the experiences of the developed countries one should not infer that progress in today's low-income countries would be facilitated by the same emphasis upon industrialization as occurred in the Soviet Union. The Russian drive to industrialize began from a higher level of per capita agricultural output than now prevails in much of the less developed world. As various writers have indicated, the Russians began with a substantial agricultural surplus (17). Thus, though harsh methods were required to repress consumption, especially among farmers, measures to increase the production of food and other consumer goods could be neglected without causing shortages sufficiently serious to prevent the rapid expansion of heavy industry. Similar "surpluses" are not available in countries such as India. Where development has occurred without strongly enforced central direction, inter-sectoral adjustments (i.e., shifts of resources from agriculture to industry) have, in large measure, resulted from rather than caused per capita income progress: rising incomes led to changes in the composition of consumer demand and resource adjustments were made to accommodate these demand changes.

6. This is not to say that inter-sectoral adjustments were not essential for continued progress. Without such adjustments, new forms of consumption would not have been introduced; sustained increases in agricultural productivity would have resulted simply in food surpluses; and stagnation would have resulted from the lack of aggregate demand (12). Furthermore, much of the increased productivity in Western agriculture -- which made the continuing transformation to industrialization possible -- resulted from the adaption of developments that occurred in other sectors, e.g., the internal-combustion engine, chemical fertilizers and insecticides, etc. Today, much of the non-agricultural activity in the developed countries is devoted to the production of intermediate producer goods for agriculture and the processing and distribution of farm commodities. Without development in these non-farm sectors, current agricultural productivity would be sharply reduced. The fact remains, however, that the initial industrialization of the developed countries was built on the firm foundation of agricultural surpluses (15).

7. Economic growth models used by planners have, in the interest of analytical simplicity, often utilized simplifying assumptions which have led to introduction of the "industrial fundamentalism" fallacy into development plans. One such common error is that which assumes the economy to be closed to international trade, and divides it into production goods and consumer goods sectors. This leads, of course, to the conclusion that the growth of national product depends completely upon the proportionate allocation of investments to production goods sectors since, by assumption, all such capital goods must be produced domestically. This leads, in turn, to the paradox which indicates that although capital is much more productive when invested in consumer goods production, it should, nonetheless, be allocated as heavily as possible to the production goods sector. Proper analysis would indicate that long-term growth would be maximized by investing in production of consumer goods -- wherein the greater comparative advantage lies for most underdeveloped countries -- and exchanging these for capital goods imports. The significance of this can be inferred from the conclusion by Professor P. C. Mahalanobis (as an example) that Indian development would be more rapid the greater the allocation of investment to the production of capital goods, in spite of his conclusion that the productivity of a given investment in consumption goods is perhaps three times as high (2).

8. Such models also tend to deflect attention from the necessity to provide

adequately for expanded consumption requirements. Then, when difficulties arise, it becomes necessary to make up deficiencies from foreign sources. This diverts resources that were originally reserved for capital formation or forces upon the current generation more than the intended degree of privation. Thus, as a framework for planning, they do not encourage consideration of the relative costs of domestic production versus imports of food and other consumer commodities, nor for the possibility of acquiring capital goods with the proceeds of consumer goods exports.

9. Given the unsettled state of world affairs, the widely shared urge for eventual self-sufficiency is understandable. But the desire for short-term self-sufficiency is another matter. Especially in their capacities for capital goods production, few of the low-income countries are presently well prepared to meet the requirements of rapid capital formation. At least in the immediate and intermediate future, growth efforts will be seriously impeded and unduly repressive of current consumption unless a major share of their producer goods requirements are imported.

10. Professor Myrdal and others have analyzed the consequences of trade between developed and less developed nations to show that over a long period unrestricted international trade would work to the disadvantage of the latter (16). In the low-income countries, competition from imports would indefinitely postpone development of industrial activities in which they could actually achieve comparative advantages, given temporary subsidies or temporary protection from foreign competition. These conclusions have led various people to propose resource allocation policies which would have the effect of by-passing shorter range opportunities to gain from existing comparative advantages.

11. Long-range potentials for developing comparative advantages in industrial production do not necessarily, however, imply that rapid growth will be fostered by currently allocating the "lion's" share of investment to those activities. The level of national product that can be achieved by some future date depends upon the level of savings and investment in the interim period. Maximization of savings-investment rates in the interim requires exploitation of existing comparative advantages, so as to maximize the excess of production over consumption needs. Through time, as development progresses, comparative advantages may gradually move toward the producer goods sector, and existing comparative advantages would come to diverge less and less from the long-term comparative advantages. But, given the present stage of development in most low-income countries, it is our judgment that in the immediate and intermediate future advantages will be found most frequently in the primary and light industry sectors instead of in heavy industry -- primarily in the production of consumer goods rather than capital goods.

Agricultural Response to Technological Advance

12. The relegation of agriculture to a position of secondary importance in development efforts is encouraged by beliefs that the soils and climate of the low income regions prohibit the achievement of high yields per acre. Thus the conclusion is reached that substantial expansion of agricultural production is not feasible, except to the extent that new lands can be brought into production. However, it is becoming increasingly clear that very modest inputs of capital in forms which serve to introduce coordinated improvement of farming methods -- of plant varieties, animal breeds, pest control, fertilization, irrigation, crop rotation -- may result in tremendous increases in yields (3). Productivity of capital in such uses is probably higher than in any other investment, particularly in labor-dense economies. Problems of obtaining and maintaining high yields in the low-income countries will probably be as amenable to scientific methods as they have been in

the developed countries. This is a point on which there is general agreement among U. S. Agricultural Economists.

13. Considerable significance has been attached to the fact that agricultural development programs have not caused large immediate increases in yields. While recognizing the many shortcomings of agricultural research and extension programs in the low-income countries and their relative ineffectiveness to date, we submit that it is too much to expect such programs to have large results immediately after their initiation. Immediate results were not obtained from such programs in the United States or elsewhere. However, such efforts should become increasingly effective as more competent personnel are obtained, operational procedures are improved, peasants become more confident in the ability of extension workers to give reliable advice, etc. Output from agricultural research and extension programs in the low-income countries will probably be cumulatively increasing in nature, just as they have been in the developed countries, particularly if adequately coordinated with effective programs of farm supply service and price support assurance. Current investments in developing these institutions may not produce maximum returns for 10-15 years or longer. But, except in rare cases, the fundamental fact of poverty in these countries cannot be changed in a shorter period in any event; and until agriculture is more productive, sustained and rapid industrial progress will be difficult.

14. In any case (quite aside from the above argument) self-sufficiency in consumption goods, especially food, might reasonably be regarded as a more urgent goal than self-sufficiency in heavy industry. Certainly, intermittent disruptions of foreign supplies of consumer goods, upon which an economy has come to depend, would cause more havoc than similar disruptions of foreign supplies of producer goods.

Agricultural Development and Economies of Scale

15. Agricultural development policy for the low-income countries revolves also about questions regarding the means of obtaining production increases from domestic agriculture -- labor intensive versus labor extensive methods and large farms versus small farms.

16. One school of thought proposes that less developed countries should not wait for a gradual formation of capital within the existing mode of organization of agriculture into small, labor-intensive farms, on which opportunities for technological advance and for expanding uses for capital are extremely limited. Rather, agriculture should, through government action, be reorganized as quickly as possible into large highly mechanized farms to make possible substitution of greater amounts of capital for labor. Admittedly, this must be accompanied by enough industrialization to absorb the displaced rural workers (7).

17. However, this line of reasoning reverses the true relationship. In any reasonably constant growth process, agriculture can be counted upon to "spare" enough workers to fill such jobs as are created by industrial expansion -- and technology to replace the jobs vacated in agriculture -- as the record of the more developed economies reveals. The problem is to utilize very limited national capital budgets in such a way as to achieve this necessary industrial expansion simultaneously with necessary increases in agricultural productivity. Heavy investments of labor replacing (as distinct from yield increasing) capital in agriculture would merely displace farm workers without necessarily increasing yields while, at the same time, diverting capital from the industrial expansion needed to absorb these displaced workers. Thus, except under special circumstances, decisions to allocate capital to the mechanization of agriculture by establishment of large scale farms

would not further economic growth. Such mechanization would merely increase unemployment without increasing output of either the farm or non-farm sector. Furthermore, it is not necessary that land-labor ratios be substantially increased for continuing increases in agricultural output to be obtained. Nor does labor replacing mechanization necessarily have any significant influence upon total farm output (9).

18. Japanese development supports this view. Mr. Toshio Shishido has presented data regarding changes in Japanese agriculture from 1878-82 to 1938-42. According to his estimates, with a relatively stable farm labor force (decline of 2-3 percent) and a moderate increase in land area cultivated (about 29 percent), the index of agricultural output increased from 33.1 to 121.3 (22). This large increase in output per acre and per worker was accomplished within the framework of very small individually operated farms. The types of capital introduced were such that, except over a very long period, the land-man ratio was not significantly increased.

19. Other relevant evidence too extensive for review in this paper supports this conclusion. One of the present writers noted in an extensive analysis of Indian data "a general inverse relationship between sizes of farm and value of output per acre."(13).

20. Many people, for instance Professor P. N. Driver, have argued that large operating units (cultivating cooperatives) using (initially) labor intensive methods are needed for high yields per acre and low per unit costs in agricultural production (4). Here, it should be noted that where peasant agriculture exists it is common to find a marked degree of inter-farm cooperation in the sharing of work-stock, machines and labor, and that available evidence does not indicate that costs per unit of output are lower on the larger than on the smaller farms, especially where agriculture is characterized by excess labor (4). Available evidence from the experience of Yugoslavia (1,20) U.S.S.R.(23) Israel (20,14) and, inferentially, India and the United States (13,14) runs, from an economic point of view, strongly against the formal cultivating cooperative or collective farm.

21. It seems especially inappropriate to argue, as Mr. Driver and others have, that the potential economies are so great as to warrant coercion in the establishment of such farms. It seems important to note that compulsion, like most other things, is subject to diminishing returns. Though we realize that increased farm output was not the primary objective, forced collectivization of agriculture in the U.S.S.R. does not appear to have had a favorable effect upon farm production. To quote Professor W. H. Nicholls:

> ". . . by 1938, the average collective farm still provided only 15 acres of sown acreage per peasant family and average annual grain production (on 10 percent more acreage) for 1934-38, according to the most recently revised estimates, approximated no more than the levels of 1925-28 or even 1913." (18).

22. In many situations, more cooperation among rural people could no doubt reduce costs and increase effectiveness. But values for individually owned and operated farms are strongly held by peasants of most low-income countries; forced cooperation is not willingly accepted (1,20,23). Furthermore (in addition to weakening incentives to individual effort) it normally results in less cooperation by reducing the "quality" of efforts by the people. Since, further, there appears to be no inherent economy in magnitude of operation, "coerced cooperation" can be expected to reduce output. The Japanese experience indicates that rapid technological progress can be made within the framework of small, family farms -- and also that with appropriate policies of farm taxation, surplus production from such

farms can be made available for workers in rapidly expanding industrial or export sectors without allowing the major benefits of increased farm production to accrue to the cultivating population. This was the primary objective that led to the collectivization of agriculture in the U.S.S.R.

Industrial-Urban Development and Population Growth

23. In part, the tendency of economic planners to accept industrial fundamentalism as a theory of economic progress results from beliefs regarding the influence of an industrial-urban environment upon population growth rates. They assume that, until a large share of society becomes urbanized, traditional attitudes toward marriage and reproduction will not change. This is of obvious significance as investments in economic growth must, at least in a crude sense, come from the margin between increased national productivity and increased consumption -- to which population growth is a major contributor. Various writers have proposed that attitudes permissive of low birth rates are the automatic result of industrialization, and that, until the low-income countries can become industrialized, lower birth rates cannot be obtained (8). These propositions lead to the conclusion that all-out efforts to industrialize provide the only real hope of obtaining per capita incomes substantially above current levels, because, under a gradual rural-urban transformation, population growth would indefinitely overwhelm prospective increases in total production.

24. Certain of the low-income countries are currently demonstrating annual population growth rates in excess of three percent. Unless larger foreign capital flows can be obtained, the capital budgets of many countries will be inadequate to insure rates of growth in total output in excess of population growth rates. If industrial-urban growth would eventually result in population control, and if low birth rates could not be obtained in other ways, development could presumably not occur without a "great leap" to urbanization.

25. But available evidence does not indicate that rapid industrial-urban development would cause a substantial reduction in population growth rates in less than one or two generations. Indications are that a more direct approach will be required if population growth rates are to be substantially reduced in less time (19). In general, urban populations have lower birth rates than do rural populations. But this does not prove that persons moved from a rural to an urban setting will accept the behavior patterns of long-time urbanites. Historically, the decline in birth rates in developed countries did not occur until long after substantial urbanization had taken place. The recent Japanese experience, where the birth rate fell from 34.3 in 1947 to 18.5 in 1956, is relevant (11). Japan was substantially industrialized when this occurred. However, it does not appear to have been the automatic result of urbanization. A very direct and intensive effort was required to reduce the birth rate, and there is no reason to believe that urbanization was essential for the success of that effort.

26. To our knowledge, the most adequate evidence from the United States has been presented by Professor David Goldberg and concerns the fertility behavior of persons living in Detroit and Indianapolis. He shows that farm migrants to these cities did not accept the "urban" values favoring small families, for at least a generation or more. Furthermore, size of family was associated with the socio-economic level, rather than the mere fact of farm origin (5). Most studies point to one fact of outstanding importance: the fertility rates of farm migrants living in cities, and of farm people themselves, reflect primarily differences in educational levels. Educated farm people -- and educated farm migrants living in cities -- have smaller than average families; i.e., their fertility behavior resembles that of long-time urbanites (10). All this suggests that education and

other general factors of economic and social progress, rather than industrialization or urbanization as such, are the primary determinants of population growth.

27. In the rural areas of less developed countries, most people have had little education and illiteracy rates are high. Urban people are generally better educated than are rural people, but changing the setting from rural to urban will not automatically increase the level of education. Education levels will not rise until resources are allocated for that purpose. Traditionally, rural people, especially farmers, have been uneducated. Thus, the tendency is to regard education for rural people as less essential for economic progress. This is one of the most tragic of misconceptions. As Professor Schultz has indicated, from a review of the agricultural development experiences of several countries:

> "Those countries that have the best records have not won them because they have the best land, or mainly because they have increased rapidly the reproducible capital in agriculture, but largely because they have acquired the skills and knowledge required, and a confidence in their ability to develop a modern agriculture." (21).

Japan has emphasized the development of a well educated population for generations. Today, less than five percent of her adult people are illiterate. Both the reduction in population growth rates and the economic development of agriculture seem largely attributable to this fact.

28. The allocation of sufficient resources to assure adequate educational progress among rural people and to establish a framework of institutions dedicated to adapting technological developments to the advancing of family farms is perhaps the most important single key to economic development of most less developed, primarily agrarian countries.

REFERENCES

1. Bicanic, Rudoplh, University of Zagreb, Lack of Institutional Flexibility in Agriculture, Proceedings of the 10th International Conference of Agricultural Economists, Oxford University Press, (1960) pp 157-178.

2. Bronfenbrenner, Martin, An Econometric Model of Economic Development, Science, American Association for the Advancement of Science, Vol. 135, No. 3502 (February 9, 1962).

3. Brown, Harrison; James Bonner; and John Weir; The Next Hundred Years, The Viking Press, New York (1957). pp 59, 61.

4. Driver, P. N., Some Lessons of the Experience of Cooperative Farming in India, A paper read at the Annual Meetings of the Indian Agricultural Economics Association at Nagpur in 1958.

5. Goldberg, David, Another Look at the Indianapolis Fertility Data, Milbank Memorial Fund Quarterly (January 1960).

6. Hagen, Everett E., The Interrelatedness of Social, Cultural, Political and Technical-Economic Change, Development of the Emerging Countries, An Agenda for Research. The Brookings Institution, Washington, D. C. (1962) p 11.

7. Higgins, Benjamin, Economic Development, Principles, Problems and Policies, W. W. Norton and Company, Inc., New York (1959) pp 42, 46, 422, 455, 461.

8. Higgman, Howard, Comments Made in a Speech at the Annual Meetings of the Rocky Mountain Social Science Association in 1960.

9. Hughes, R. B., Demonstration Effects on Production, Journal of Farm Economics, Vol. XLII, No. 3, (August, 1960); Hughes, R. B., Marginal Returns on Agricultural Resources in a Southern Mountain Valley, Journal of Farm Economics, Vol. XXXVI, No. 2, (May, 1954) p 36.

10. Hughes, Rufus B., Human Fertility Differentials: The Influence of Industrial-Urban Development on Birth Rates, Population Review, Vol. 3, No. 2, (July, 1959).

11. Japan's Population Miracle, An Asian Solution to Asia's Greatest Problem, Population Bulletin, Population Reference Bureau, Inc., Vol. XV, No. 7, 118, (November, 1959).

12. Kindleberger, Charles P., Economic Development, McGraw-Hill Book Company, New York (1958) pp 125, 111.

13. Long, Erven J., The Economic Basis of Land Reform in Underdeveloped Countries, Land Economics, Vol. XXXVIII, 118, 119, (May, 1961).

14. Long, Erven J., Problems in Foreign Policy, Journal of Farm Economics, Vol. XLIV, No. 2, (May, 1962) pp 550-559.

15. Meir, Gerald M.; and Robert E. Baldwin; Economic Development: Theory, History and Policy, John Wiley and Sons, Inc., New York (1957) p 198.

16. Myrdal. Gunnar, Rich Lands and Poor, the Road to World Prosperity, Harper and Brothers Publishers, New York (1957).

17. Nicholls, W. H., The Importance of an Agricultural Surplus in Under-developed Countries, Presented as the J. S. McLean Memorial Lecture at The Ontario Agricultural College, 6, (January, 1962).

18. Nicholls, W. H., The Place of Agriculture in Economic Development, a paper presented at a Round Table on Economic Development, with particular reference to East Asia (sponsored by the International Economic Association), held at Gamagori, Japan (April 2-9, 1960), p 11.

19. Ranadive, K. T.; K. G. Shanbag; and K. J. Gujarathi, A Socio-Economic Survey of a Population-Group in Relation to Family Planning, Population Review, Vol. 5., No. 1, (January, 1961) p 30.

20. Report of the Study Team on the Working of the Cooperative Movement in Yugoslavia and Israel, Government of India, (9 April, 1960).

21. Schultz, Theodore W., U. S. Endeavors to Assist Low-Income Countries Improve Economic Capabilities of Their People, Journal of Farm Economics, Vol. XLIII, No. 5, pp 1072-1073, (December, 1961).

22. Shishido, Toshio; Japanese Agriculture: Productivity Trend and Development of Technique, Journal of Farm Economics, Vol. XLIII, (May, 1961) p 288.

23. Volin, Lazar; Soviet Agriculture: A Continuing Problem, Current History, Philadelphia (November, 1961).

1588 E - Nov.1962 - 1,600

E/CONF.39/H/55/Corr.1
7 Jan.1963
ORIGINAL : ENGLISH

UNITED NATIONS CONFERENCE
ON THE APPLICATION OF SCIENCE AND TECHNOLOGY
FOR THE BENEFIT OF THE LESS DEVELOPED AREAS

C O R R I G E N D U M

Agenda Item H.1 should read : H.1/H.3

1588 E - Jan.1963 - 1,600

E/CONF.39/H/55
SUMMARY

1 Nov.1962

ORIGINAL : ENGLISH

UNITED NATIONS CONFERENCE
ON THE APPLICATION OF SCIENCE AND TECHNOLOGY
FOR THE BENEFIT OF THE LESS DEVELOPED AREAS

SUMMARY

Agenda Item: H.1

United States of America

COMPLEMENTARITY BETWEEN AGRICULTURAL AND INDUSTRIAL DEVELOPMENT

By Rufus B. HUGHES,
Colorado State University,
Fort Collins, Colorado,

Erven J. LONG,
Agency for International Development,
Washington, D.C.

Papers have been contributed to the United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Areas as working papers for that Conference. They are published as presented by the contributors, and the contents and the views expressed are those of the contributors. (See notes overleaf.)

NOTES

1. Papers selected for inclusion in General Sessions will be available at the Conference in the following official languages of the United Nations: English, French, Russian and Spanish.

2. Papers selected for inclusion in Specialized Sessions will be available at the Conference in only one of the above official languages.

3. Summaries of all papers, as submitted by contributors, will be available at the Conference in the following official languages of the United Nations: English, French, Russian and Spanish.

4. Papers and summaries will not be available for general distribution in advance of the Conference. They will be published in advance in limited quantities only for the use of delegations of participating governments and of other authorized participants. Post-Conference publication and general distribution of the Conference Proceedings will follow United Nations practices as laid down by the United Nations Publications Board.

COMPLEMENTARITY BETWEEN AGRICULTURAL AND INDUSTRIAL DEVELOPMENT

Rufus B. Hughes, Colorado State University
Fort Collins, Colorado
Erven J. Long, Agency for International Development
Washington, D. C.

1. The paper centers attention upon inadequacies of industrial fundamentalism as a theoretical framework for resource allocation in developing economies The consensus that, in low-income countries, sustained economic progress will entail progressive production adjustments from primary to industrial sectors is accepted. However, this acceptance is not extended to the idea, which is often regarded as a corollary, that agricultural development can or should be neglected in order to make more capital immediately available for industrial expansion, especially for expanding heavy industry. The conclusion is drawn that, given existing circumstances, long-term industrial growth and sustained per capita income progress will be seriously impeded unless major efforts are made to develop domestic agricultural potentials. Available evidence does not support the view that long-run problems of rapid population growth and inadequate supplies of food and other consumer goods supplies can most easily be solved by allocating, in the short-run, the lion's share of available capital to production goods sectors.

2. Misinterpretations of industrial development accomplishments in the U.S.S.R., where production goods sectors received major emphasis, and the correlation between industrialization and development in presently advanced economies, have led to a common but erroneous conclusion that since the developed countries have large sectors of industrial production, the less developed countries can best be developed by expanding industrial production. This analysis by analogy is unacceptable, as the situations are not analogous and the direction of causation is confused. Transformation to industrial societies was essential for continued development. However, the initial industrialization of Russia was built on the foundation of agricultural surpluses, and of the developed economies upon a correlative development of agriculture.

3. Economic growth models used by planners have, in the interest of analytical simplicity, often utilized simplifying assumptions which have led to introduction of the "industrial fundamentalism" fallacy into development plans. One such common error is that which assumes the economy to be closed to international trade and divides it into production goods and consumer goods sectors. This leads, of course, to the conclusion that the growth of national product depends completely upon the proportionate allocation of investments to production goods sectors since, by assumption, all such capital goods must be produced domestically. This leads, in turn, to the paradox which indicates that although capital is much more productive when invested in consumer goods production, it should, none-the-less, be allocated as heavily as possible to the production goods sector. Proper analysis would indicate that long-term growth would be maximized by investing in production of consumer goods -- wherein the greater comparative advantage lies for most

less developed countries -- and exchanging these for capital goods imports. This does not deny that, in the longer run, comparative advantages may swing toward producer goods; but in the interim, existing advantages must be exploited to maximize growth rates. Also rejected is the idea that inherent inferiorities of less developed countries' soils and climates predestine them to low yields, as evidence indicates that the agriculture of these countries, too, is amenable to properly oriented scientific technological and cultural development. Misconceptions such as these have resulted, in many less developed countries, in an inadequate allocation of resources and effort to agricultural development.

4. Japanese experiences, Indian data, and the consensus among agricultural scientists indicate clearly that substantial increases in agricultural output can be obtained within the framework of small, labor-intensive farms. High yields per acre in the developed countries have resulted primarily from the application of science to fertilization, irrigation, genetic improvement of plants and controlling of pests. Mechanization has served primarily to increase productivity per farm worker, not per unit of land. In labor dense less developed economies, mechanization of agriculture would merely increase unemployment without increasing the output from any sector. The idea that coerced introduction of cultivating cooperatives would permit significant increases in total farm output and reductions in per unit costs is rejected, and evidence is introduced to demonstrate the contrary fact.

5. In part, acceptance of industrial fundamentalism as a theory of progress results from beliefs regarding the influence of industrial-urban environments upon population growth rates. Evidence introduced indicates that general economic and social development, especially rising educational levels, tend to reduce population growth, but urbanization or industrialization do not, of themselves, do so.

S - 1588 E - Nov.1962 - 1,600

E/CONF.39/H/56
1 Nov.1962
ORIGINAL : ENGLISH

UNITED NATIONS CONFERENCE
ON THE APPLICATION OF SCIENCE AND TECHNOLOGY
FOR THE BENEFIT OF THE LESS DEVELOPED AREAS

Agenda Item : H.3

United States of America

DEVELOPMENT BANKS

By Vincent CHECCHI,
President, Checchi and Company,
Washington, D.C.

Papers have been contributed to the United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Areas as working papers for that Conference. They are published as presented by the contributors, and the contents and the views expressed are those of the contributors. (See notes overleaf.)

NOTES

1. Papers selected for inclusion in General Sessions will be available at the Conference in the following official languages of the United Nations: English, French, Russian and Spanish.

2. Papers selected for inclusion in Specialized Sessions will be available at the Conference in only one of the above official languages.

3. Summaries of all papers, as submitted by contributors, will be available at the Conference in the following official languages of the United Nations: English, French, Russian and Spanish.

4. Papers and summaries will not be available for general distribution in advance of the Conference. They will be published in advance in limited quantities only for the use of delegations of participating governments and of other authorized participants. Post-Conference publication and general distribution of the Conference Proceedings will follow United Nations practices as laid down by the United Nations Publications Board.

No. 735
H.3

DEVELOPMENT BANKS

Vincent Checchi, President[1]
Checchi and Company, Washington, D. C.

Introduction

1. The purpose of this paper is to examine the circumstances in which development banks are created, their potential as an instrument for accelerating economic change, and the factors affecting success in utilizing this potential. As used in this paper, development banks are autonomous financing institutions organized in developing countries with assistance from foreign lending agencies for the purpose of lending to or otherwise investing in economically desirable projects in the private sector.

2. The number of such institutions has increased steadily in the past several years, encouraged by financial and technical assistance from U. S. Government and international lending agencies. As of June 30, 1962, the World Bank and its affiliates, the Inter-American Development Bank, the U. S. Export-Import Bank and the U. S. Agency for International Development had made 105 loans to 50 development banks in the less developed nations totaling $738 million. Of the 50 banks, some 20 were created with the technical advice of international agencies or as a direct result of loans from these agencies. Private American and other banking firms have also invested in development banks.

3. Development banks provide attractive features to an international lending agency. They constitute "projects" and can thus receive loans which the lending agency is happy to make. Such loans are relatively safe in the sense that they are reloaned or "retailed" by the development bank to a number of projects, diversifying the risk. In addition, the lending agency bears no risk on the individual projects. The development bank is obliged to repay the whole amount of the loan made by the lending agency regardless of what happens to individual projects. Through the development bank channel, the international lending agency is relieved of the task of finding sound projects in the private sector.

4. The development bank, as an autonomous financial institution, is more amenable than government agencies to technical advice from the lending agency and to the selection of competent professional management. Development banks, with sufficient independence, broad enough powers, and imaginative enough management, could serve as a powerful financial force for encouraging economic change and new attitudes toward business. Each bank in each country provides a mechanism for focusing attention on opportunities to encourage private local and foreign investment in the bank itself and in projects financed by the bank.

1/ Mr. Checchi has directed a number of studies on this subject

5. Development banks thus represent an institutional arrangement ideally suited to the policies and operational procedures of foreign sources of financing. They are in a good position to receive foreign assistance which is convenient for both the lending and the borrowing country.

6. As an additional and sometimes the sole source of medium- and long-term credit for industrial enterprise, development banks can be a powerful stimulant for new investment and for new jobs. In fact, the very process of creating such an institution stimulates new projects and creates a favorable climate for risk-taking.

7. Adequately conceived and operated, they can help create a vigorous class of local entrepreneurs and investors. They can help gather and channel local savings. They can serve as a training ground for professional personnel such as economists, accountants, and engineers as well as for private entrepreneurs and managers. They can influence public attitudes toward business and can have an important effect on business organization, law, and the related apparatus of conducting business. They can become self-supporting institutions performing functions so important in the economy that they become points of stability in the society because their valuable work must continue despite changes in government.

8. This paper will cover some of the varied considerations relating to development banks: the need for them, their form, their scope, their relation to other institutions, and some special problems which they face and which they generate.

The Need

9. A development bank or a similar development institution is essentially a device to fill a gap in the existing financial structure of a country. (The inducements offered by the Government to encourage the creation of small business investment companies in the United States was an effort to fill what was considered to be a gap in the credit system of that country.) Most development banks which now exist were designed to meet a need for medium and long-term credit on reasonable terms for new industrial enterprises. However, some of them have made few loans, not because of a lack of funds but because of shortcomings such as inadequate management simply failing to carry out the function of the bank or a lack of applications sufficiently well prepared to justify a loan. The problem of need therefore is usually broader than the problem of adequate credit availability.

10. Even a cursory examination of the experience of development banks and of U. S. Government and other international loans to these banks suggests that there is more money available for industrial development than there are projects in satisfactory condition to qualify for loans under normal banking criteria.

11. The shortage of projects is, in part, a result of the shortage of skills needed in preparing projects for financing. This problem can be met by providing, through a development bank or through a separate institution, technical services to help potential borrowers identify, investigate, and organize specific projects for financing.

12. But in many of the smaller developing countries, the shortage of projects is even more a result of a shortage of entrepreneurs -- of individuals and groups willing and able to spend their time, effort and money to identify and develop projects. In these areas, the need is perhaps for institutions which help create a market for development banks and related institutions.

13. There thus appear to be needs for several kinds of development banks --

broadly defined. One kind consists of those sponsored by the World Bank and other official lending agencies in countries where entrepreneurs and investors exist in sufficient numbers and kind to respond actively when financing and technical assistance are made available on reasonable terms.

14. A second group would include an institution fitting a situation where there are few entrepreneurs, where the market is small, and where there is not likely to be any significant short-term response to increased credit availability. This kind of institution is perhaps more nearly an investment company than a lending institution, fills the function of the entrepreneur and acts as the "self-starter." Such institutions would tend to rely heavily on government for initial capital, would at first seek to attract local investors in enterprises initiated by the institution alone or in association with foreign groups, and eventually would attract local initiators of new enterprises.

15. The diagnosis of the problem is as important in prescribing financial institutions as in medicine. While every economy probably has entrepreneurs, the problem is one of accurately gauging the nature and extent of entrepreneurial potential. It is a questionable use of resources to create a development bank to make loans where the effective demand for credit does not exist. Where the absence of entrepreneurs is a problem, a source of credit alone or even in conjunction with technical assistance is not the solution.

16. All development banks to a greater or lesser degree attempt to undertake some entrepreneurial or promotional functions. By and large, however, development banks by circumstances or by choice are operated as lending agencies. When they take equity, they do so usually to maximize profit, rather than because such action is necessary to spark the creation of the particular enterprise.

17. Some development banks will tend to become increasingly conservative as time goes on. The responsibility of management to avoid losses will soon outweigh its responsibilities to pioneer. Once the institution is created, needs will change. The financial structure is an evolving one and circumstance may require other financial institutions to fulfill other needs, such as insurance companies, savings and loan associations, and housing banks. There is even the happy prospect that the development banks can help create specialized institutions to fill the need for specialized kinds of financing. The development bank may thus work itself out of a job.

18. There are other needs bearing on a development bank--its potential role in creating an organized securities market, its role in linking local and foreign investment in projects, and others. The needs must be determined with care because the institution--whether conventional development bank, investment corporation or other--must be carefully designed to meet that need.

The Form

19. There can be no such thing as the standard model, ready-made, all-purpose development bank which can be utilized effectively in any country. The needs vary country by country and the form must be tailored to each situation. Should the development bank be government-owned, privately-owned, or have a mixed ownership? Whatever the ownership, experience suggests that the institution must have independence of decision if it is to grow and to command respect and resources in the money markets at home and abroad.

20. Private organizations are likely to have greater flexibility and may result in more stable institutions in the long run, since the management of the private bank will be more insulated from political pressures and political

changes than is possible in a government-owned and controlled institution. Where government can appropriately mobilize private resources and energies to take over the job, it is certainly to its advantage to do so.

21. There are situations in which the government must assume this burden either because of the lack of a local entrepreneurial or investor class, or because there is need for a pace-setter to enter into projects which are either too large, too risky, or too oriented towards a particular government objective but nonetheless important for speeding the pace of industrial development.

22. In many countries the ideal set of development financing institutions might include both a government-owned and a privately-owned development bank which can complement each other's activities. Other circumstances favor the mixed institution in which the government participates financially, but which is controlled by private ownership. There are distinct advantages in early government financial support which may be necessary to the viability of the institution and which may provide some restraint on private management to protect the institution from becoming a tool of special private financial interests.

23. In some countries, this problem demands a form of organization which reflects some of the features of a privately-owned public utility.

24. The form of the bank must often take into account important local political or regional considerations. For example, the interests of the Greek and Turkish communities in Cyprus must be satisfactorily represented in any board of directors of a development bank in that country. Similarly, the sierra and costa areas of Ecuador are likely to demand specific acknowledgment by a development bank of their interests.

Relations with Other Institutions

25. One of the most important initial tasks for a new development bank will be to establish satisfactory relations with other important agencies with which it must work. The bank must be responsive to a number of masters, some within the country and some outside.

26. Perhaps the simplest of the bank's relations are those with the international assistance agencies. These agencies will expect the bank to be aggressive in utilizing the funds committed to it, but at the same time will expect the bank to follow sound financing practices to protect the funds with which it has been entrusted. Beyond these fairly obvious points, the bank will be expected to keep the agencies adequately informed on changes in scope of operations and to discuss any additional indebtedness which the bank may decide to undertake beyond the loans it has already received. The development bank must also begin the process of building relations with foreign private capital sources which may become the major source of the bank's foreign borrowings.

27. Domestically, the bank will have to work closely with the country's planning groups, the local technical assistance agency, local business organizations, and local banks and others in the local business and financial community. All of these organizations could be of valuable assistance to the bank's management in establishing policies and in evaluating applications for financing.

Scope

28. The local needs determine the scope as well as the form of the development bank. There is a wide range of possible functions which a development bank

can undertake.

29. Even in small economies, it may be desirable to have separate organizations for agricultural financing and for industrial financing. These require entirely different types of management attitudes and abilities and involve different administrative problems. In some instances where a development bank has been authorised to carry out both types of activities, it has frequently had to concentrate so extensively on needed agricultural financing that it failed to achieve any significant record in the industrial financing field.

30. In addition to lending and other financial services, development banks can provide technical assistance services, entrepreneurial services, and financial agency services.

31. Technical assistance services can be particularly important and include research and consulting functions covering the identification of business possibilities, assistance in developing the facts relating to technical and financial feasibility of projects, and technical and managerial advice to borrowers. The entrepreneurial services which a bank might provide involve the promotion, organization, and possibly direct management of enterprise. The agency services of a bank are such activities as trusteeships, investment management, placement of insurance and bonding, and acting as loan administrator for other organizations.

32. In one situation the primary need may be for a bank simply to administer loans. Elsewhere the need may be to provide its technical assistance services linked to credit to make the credit effective. In another situation, the entrepreneurial services of the bank linked to credit may be of vital importance.

33. The bank will probably begin by obtaining loans from the foreign assistance agencies. As the bank grows its record of performance may warrant its successful entry into the private capital markets of the world. At home the bank may borrow from the general public by placing its bonds and also in some instances by accepting demand or time deposits. The bank, however, may also do its borrowing from domestic institutions with whom it may negotiate loans, place its bonds, lay off loan participations or rediscount its portfolio.

34. A bank's discretion in borrowing from foreign lending agencies is rather limited in that all of the agencies maintain debt-equity ratio standards within a fairly narrow range. The bank must consider to what extent its entry into the domestic capital market to raise its own capital may divert local capital which might otherwise flow into equity financing of the projects to which the bank hopes to extend loan assistance.

35. A bank's loans may be in several fields and in a variety of forms. For instance, the bank can make medium- and long-term secured and unsecured loans to projects and business enterprises. The bank might make loans or extend guarantees to other financial institutions. The skill of the bank's management determines the degree to which the bank becomes successful in achieving its potential as a development institution. Conventional commercial banking standards may be too restrictive for developmental lending purposes. A loan commitment by a development bank may make it possible for the applicant to attract additional risk capital to the project.

36. A bank might invest directly in shares of stock either in existing or in new enterprises or it might buy shares by exercising conversion rights on its loans. The bank also could sell new issues of existing or new enterprises,

perhaps as part of an underwriting arrangement; the bank could spin off older securities; the bank might sell its own stock in order to acquire and expand its investment resources and its borrowing capacity. These buying and selling activities are part of the way in which the bank can stimulate a securities market in an economy where none has existed heretofore. Through these activities the bank can supplement equity capital required by an individual entrepreneur which might not otherwise be available to him; acquire it; hold new issues for seasoning and then place them on the market when they are salable. It can increase the supply of securities and thus broaden the market which might otherwise be dominated by a few investment groups; and it can educate the general public on the purchase of equity instruments and the taking of risks. Equally important, a well managed bank which exercises appropriate control on the enterprises it finances to protect the interests of minority stockholders will generate the kind of public confidence in equity securities which might otherwise be impossible to achieve.

37. By providing its guarantee for foreign borrowing by other enterprises, the bank can also act as a mobilizer of foreign credit substantially in excess of its own borrowed funds. Most foreign lending institutions find it difficult to administer international loans directly from abroad and require a local institution to assume the risk and sometimes the administration of such credit. This requirement of a local bank guarantor is even more indispensable in the case of foreign suppliers of capital goods who extend credit directly. Where domestic borrowers find it difficult to obtain such guarantees in adequate volume from local banking institutions, the development bank fulfills a vital need.

Special Problems

38. A most difficult problem facing development banks in many countries is the viability of the bank in its early years of operation. Normally, a bank requires a number of years of loss operations before it can reach a breakeven point. Aside from its lending operations, the bank is usually pioneering in introducing new forms of financial operations in the country and cannot expect to look forward to substantial non-interest income for some years after it commences operations. The bank's early income is tied to its lending volume. But at the same time, most banks are faced with a heavy initial investment in operating personnel and thus high operating costs relative to lending volume.

39. From its inception a bank can try to alleviate partially this problem by seeking a maximum of borrowed funds in relation to its capital to make up the total resources it needs to supply its market. However, the bank's international creditors, by the conditions they impose on their loans to the bank, fix the bank's maximum possible income from capital lending activities by applying standards of debt-equity ratio and interest spread (the amount the lending agency charges the bank and the amount of additional interest the lending agency permits the bank to charge its customers).

40. Some of the foreign assistance agencies have recognized this problem as have many governments of the countries in which such banks are established. They have provided various forms of subsidies to enable a development bank to weather the difficult early years and establish itself as a generator of capital and an energizing force for a growing economy.

41. Foreign assistance has served to subsidize the cost of management and technical personnel by paying the costs of technical assistance contracts providing foreign personnel for the bank's operations. United States Government

agencies have also been of substantial assistance in some cases by making such banks agents for the lending of aid-generated local currency funds (with consent of local government). By so doing, they have enabled the development bank to increase the volume of resources which it can lend with the same equity capital base at commissions which are higher than the interest spread on borrowed funds and with no risk to the bank. Local governments have also supported the operations of their development banks (in addition to concurring in the bank's being a lending agent for aid-generated local currency funds) by subsidizing operating costs and in some instances through local logistical support; by giving the bank additional agency business; by providing the bank with additional capital funds in the form of long-term low-interest loans or the purchase of preferred stock; by guaranteeing dividend payments by the bank to the bank's investors; and by providing the bank and its investors with tax exemptions.

42. A second major problem area which faces the international lending agencies which sponsor development banks involves the dangers of monopoly. The development bank is likely to be the sole practical source of credit, medium- and long-term, that is, other than short-term. It may also be the only channel through which equity capital can be raised from the general public.

43. The danger inherent in a single development bank is that it may fall under the control of a special interest group. In addition, its management, free from any of the influences of competition in a country, may acquire that kind of arrogance which makes it impossible for it to recognize a mistake. Such an institution, controlling as it does vast economic power relative to the economy in which it operates, might (due to ill-considered policies or mismanagement) come to be a deterrent rather than an accelerator of economic progress in its country. An over-emphasis on the part of such a bank on over-directing private enterprise rather than to support, stimulate and serve it would fall short of the purposes for which such banks are intended.

44. A third, and perhaps the most important problem is the shortage of skill and experience in the field of development lending. Unfortunately, we have yet to develop a direct means of measuring the effectiveness of a development bank's management in terms of its success as a "developer" rather than as an income earner. Lacking such a means, banks tend to be judged on their financial records and balance sheets, but this is at best an imperfect basis. Thus, there is every pressure on a bank's management to seek maximum profitability as its goal, rather than maximum development. Such a management is likely, for instance, to make equity investments only in situations where it desires to maximize profit for the bank, rather than in situations where its equity would permit a project to come into being. Such managements are not likely to welcome competition from other financial agencies and are more likely to short-circuit the growth of other needed financial institutions, such as investment banks, stock exchanges, savings banks, insurance companies, finance companies, and others.

1473 E - Nov.1962 - 1,600

E/CONF.39/H/56
SUMMARY
1 Nov.1962
ORIGINAL : ENGLISH

UNITED NATIONS CONFERENCE
ON THE APPLICATION OF SCIENCE AND TECHNOLOGY
FOR THE BENEFIT OF THE LESS DEVELOPED AREAS

SUMMARY

Agenda Item: H.3

United States of America

DEVELOPMENT BANKS

By Vincent CHECCHI, President,
Checchi and Company,
Washington, D.C.

Papers have been contributed to the United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Areas as working papers for that Conference. They are published as presented by the contributors, and the contents and the views expressed are those of the contributors. (See notes overleaf.)

NOTES

1. Papers selected for inclusion in General Sessions will be available at the Conference in the following official languages of the United Nations: English, French, Russian and Spanish.

2. Papers selected for inclusion in Specialized Sessions will be available at the Conference in only one of the above official languages.

3. Summaries of all papers, as submitted by contributors, will be available at the Conference in the following official languages of the United Nations: English, French, Russian and Spanish.

4. Papers and summaries will not be available for general distribution in advance of the Conference. They will be published in advance in limited quantities only for the use of delegations of participating governments and of other authorized participants. Post-Conference publication and general distribution of the Conference Proceedings will follow United Nations practices as laid down by the United Nations Publications Board.

DEVELOPMENT BANKS

Vincent Checchi, President[1/]
Checchi and Company, Washington, D. C.

SUMMARY

1. As used in this paper development banks are autonomous financing institutions organized in developing countries with assistance from foreign lending agencies for the purpose of lending to or otherwise investing in economically desirable projects in the private sector. The number of such institutions has increased steadily in the past several years. A properly organized and managed development bank can serve as a powerful financial force for encouraging economic change and new attitudes toward business.

2. Such institutions are ideally suited to the policies and operational procedures of foreign sources of financing. They are in a good position to receive foreign assistance which is convenient for both the donor and the recipient country. They can be an important stimulant for new investment and for new jobs. They can help create a vigorous class of local entrepreneurs and investors. They can become self-supporting institutions performing functions so important in the economy that they become points of stability in the society because their valuable work must continue despite changes in government.

3. A development bank or a similar development institution is essentially a device to fill a gap in the existing financial structure of a country. There appear to be needs for several kinds of development banks--broadly defined. One kind consists of those sponsored by the World Bank and other official lending agencies in countries where entrepreneurs and investors exist in sufficient numbers and kind to respond actively when financing and technical assistance are made available on reasonable terms. A second kind would be those in situations where there are few entrepreneurs, where the market is small, and where there is not likely to be any significant short-term response to increased credit availability alone. This kind of institution is perhaps more nearly an investment company than a lending institution and fills the function of the entrepreneur.

4. The needs for development financing institutions vary country by country and the form must be tailored to each situation. In many countries the ideal set of development financing institutions might include both a government-owned and a privately-owned development bank which can complement each other's activities. Other circumstances favor a mixed institution in which the government participates financially, but which is controlled by private ownership.

1/ Mr. Checchi has directed a number of studies on this subject

There are distinct advantages in early government financial support which may be necessary to the viability of the institution and which may provide some restraint on private management to protect the institution from serving only special private financial interests.

5. One of the most important initial tasks for a new development bank will be to establish satisfactory relations with other important agencies with which it must work. Foremost among these are international lending agencies, foreign private capital markets, local banks, local government economic planning agencies, and others. Development banks can provide four main types of services: financial services, financial agency services, entrepreneurial services, and technical assistance services.

6. In one situation the primary need may be for a bank simply to administer loans. Elsewhere the need may be to provide its technical assistance services linked to credit to make the credit effective. In another situation, the entrepreneurial services of the bank linked to credit may be of vital importance. A well managed bank which exercises appropriate control on the enterprises it finances to protect the interests of minority stockholders will generate the kind of public confidence in equity securities which might otherwise be impossible to achieve.

7. A most difficult problem facing development banks in many countries is the viability of the bank in its early years of operation. Most banks are faced with a heavy initial investment in operating personnel and thus high operating costs relative to lending volume. Some of the foreign assistance agencies have provided various forms of subsidies to enable a development bank to weather the difficult early years and establish itself as a generator of capital and an energizing force for a growing economy.

8. A second major problem area which faces the international lending agencies which sponsor development banks involves the danger of monopoly. The dangers inherent in a single development bank is that it may fall under the control of a small special interest group. In addition, its management, free from any of the influences of competition in a country, may acquire that kind of arrogance which makes it impossible for it to recognize a mistake. A third, and perhaps the most important problem is the shortage of management skill and experience in the field of development lending.

S - 1473 E - Nov.1962 - 1,600